

May 2, 2003

The Honorable Darrell Steinberg  
California State Assembly Member  
District Office  
915 L Street, Suite 110  
Sacramento, CA 95814

RE: Opposition to AB 1221

Dear Assembly Member Steinberg:

It is our understanding that AB 1221 has passed two committees and is now scheduled for review by the Committee on Appropriations, which you chair.

On behalf of the citizens of the City of Santa Barbara, this is to inform you of our opposition to AB 1221, which would reallocate sales and property tax revenues by:

- Reducing local governments current 1% Bradley-Burns sales and use tax revenue to .5%;
- Backfilling the .5% Bradley-Burns loss with a matching amount of property tax revenue; and
- Providing a "trigger" to reinstate sales tax rate if a future legislature reduces the property tax allocation to local governments.

AB 1221 is not "revenue neutral". Since sales taxes and property taxes grow at different rates, this bill creates winners and losers in future years. On the surface, it would appear that the City of Santa Barbara would be one of the winners since our property tax growth rate currently exceeds our sales tax growth. Additionally, our expectation is that this trend will continue, at least for the next few years. However, based on a retrospective analysis of these revenues, the City would have experienced a revenue loss if AB 1221 had been implemented in the early 1990's. The City of Santa Barbara is not willing to take this gamble, nor is it appropriate for it to do so.

**Our more important concern is that AB 1221 would transfer our largest source of general fund revenue to State control.** We oppose the loss of a vital revenue

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source for a promise of a "backfill". When the State overspends and must balance its own budget, we have no guarantee that the State will not break its promise as it has done so many times in the past.

The apparent intent of this tax shift is to discourage local governments from being too dependent on sales tax and would, theoretically, result in fiscal incentives to build more housing and job centers. Negotiating with retailers to the detriment of housing needs is not an issue in the City of Santa Barbara. We are fortunate to have a fiscally healthy community with a commendable balance of land-use decisions and sound fiscal planning, along with an exemplary affordable housing program.

If you have any questions about our position, please contact Robert Peirson, Finance Director, at (805) 564-5337.

Sincerely,

Marty Blum  
Mayor

cc: Assembly Member Hannah-Beth Jackson, 35th Assembly District,  
fax (916) 319-2135  
Ms. Jean Korinke, Legislative Office, fax (916) 658-8240